The Conference Board

Housing

Economic Road Maps

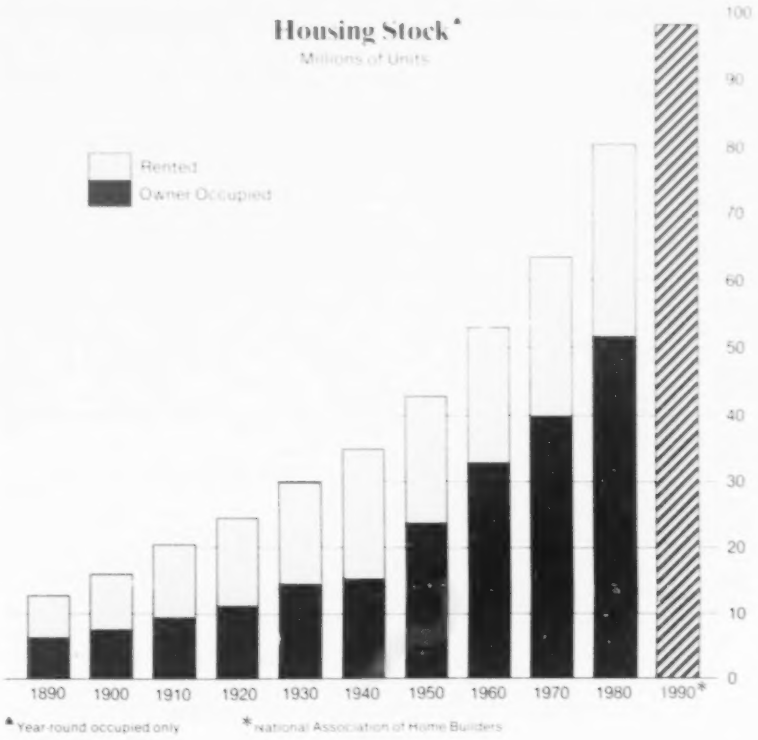
Nos. 1918-1919 January, 1982

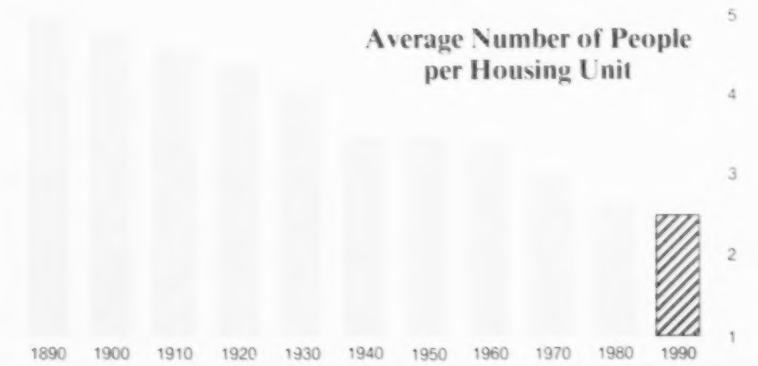
The 1980 Census shows a continuation of several long-term trends in housing. One of the more pronounced trends is the decline in the average number of persons occupying a home. After remaining stable a 3½ persons per unit in the 1940's and 1950's, the average fell to 3 persons per unit in the 1960's, and to 2.6 persons per unit in the 1970's. In the 1980's, the economics of the housing market are less likely to be favorable to strong expansion than was the case in recent decades. The high cost of energy, for heating and cooling and for transportation to suburban homes, will also be a dampening factor. And there will probably be less pressure for housing expansion from demographic and social forces. The result may be little change in the average number of people occupying a home in the 1980's.

Renters tend to move more frequently than homeowners. According to the Census, just over half of all renters in the Spring of 1980 had lived somewhere else one year earlier and fewer than 10% were living in the same unit that they had rented in 1970 (middle chart, page 2). By contrast, only 18% of the homeowners in 1980 had lived elsewhere one year earlier, and almost half (45%) were living in the same unit that they had owned in 1970.

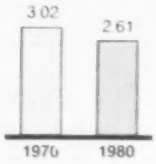
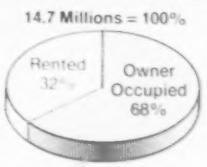
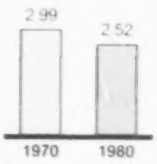
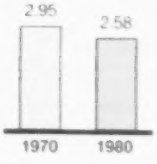
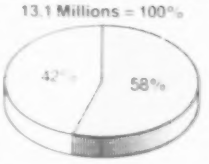
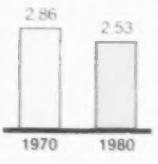
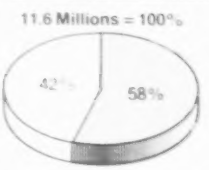
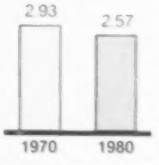
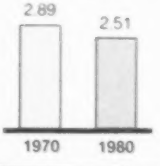
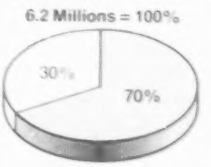
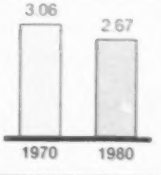
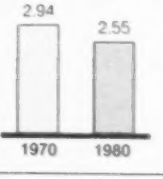
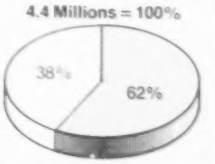
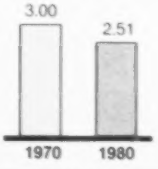
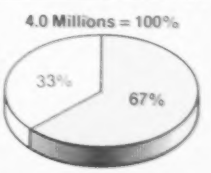
The renters' frequent moves are, by and large, a reshuffling of occupancy of an increasingly aged rental stock. Most of the growth of the housing stock in the past 40 years has been in owner-occupied units. In 1980, 44% of the owner-occupied units had been built in the 1960's and 1970's, compared with 39% of the rental units (top chart, page 2). Only one-quarter (26.5%) of the owner-occupied homes had been built before 1940, while two-fifths (39.5%) of the rental units were more than 40 years old.

The average price of a new home was $64,500 in 1980, compared with $23,400 in 1970. High costs for construction materials and labor are two important factors in the rise of home prices. However, the tremendous run-up in land values is also a key factor, and the general rise in inflation has been accompanied by a hike in interest rates on all types of borrowing—including, of course, mortgages. Whereas materials and labor accounted for about 69% of the cost of a





Housing Stock, 1980

	Persons Per Unit	Average Home Value	Average Monthly Rent	By Type
East North Central				
South Atlantic				
Middle Atlantic				
Pacific				
West South Central				
West North Central				
East South Central				
New England				
Mountain				

Housing Stock, 1979

Occupied Year Round (Million Units)

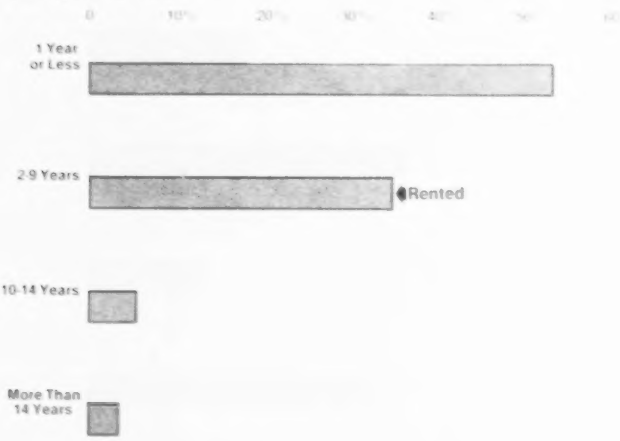
new home 30 years ago, they now account for only 47%; land and financing, which made up only 16% in 1949, account for a full 35% of the cost in 1980. A homeowner might have obtained a mortgage 30 years ago at an annual rate of 4%, depending on circumstances; 20 years ago it would have been closer to 6%; 10 years ago, 9%; and currently, about 16% per year.

Homeowner costs account for 22% of the basket of goods and services that make up the Consumer Price Index—financing, taxes and insurance (12%); and home purchase (10%). These components have been a major problem because the CPI treats them as an entirely current outlay, just like the purchase of food or clothing. The sharp acceleration of inflation in recent years has made clear the investment character of a home purchase. However, it has also increased the upward pressure of homeownership costs on the CPI. Because there is wide agreement among technical experts that, as a consequence, the CPI tends to overstate inflation, the Bureau of Labor Statistics will change the method of calculating it. Starting next year, an estimate of what the unit would cost to rent in the open market will be used. That is, in effect, an estimate of the actual current cost of shelter. A comparison of the current and new calculations (top of page 4) shows that when inflation was relatively stable, as in 1971-1973, there was not much difference between the two measures. But in 1980-1981, when price increases were accelerating, the new method shows a slower rise.

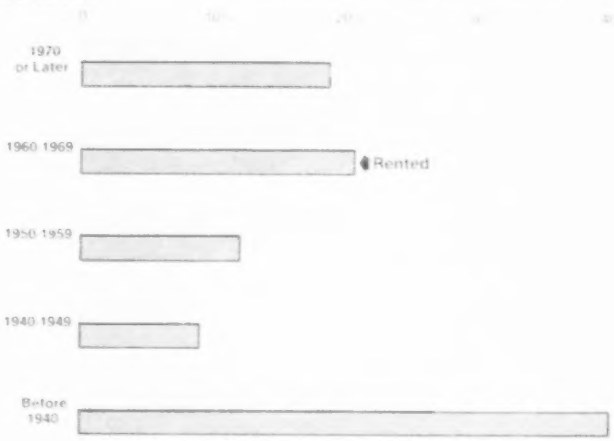
Ken Goldstein

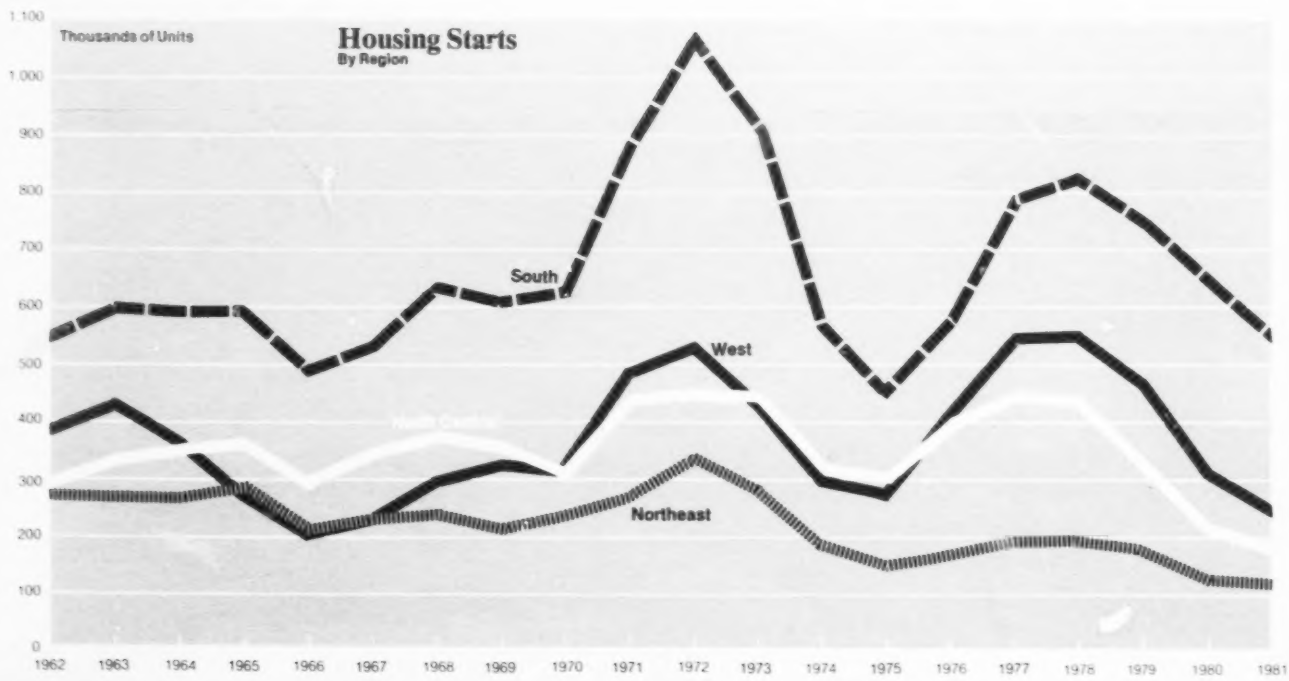
SOURCES: Departments of Housing, Commerce, and Labor; Federal Reserve; National Association of Home Builders; The Conference Board.

Percent Distribution of Owner-Occupied and of Rental Units
By Length of Occupancy

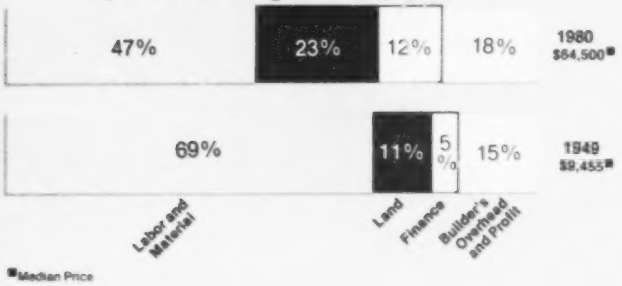


Percent Distribution of Owner-Occupied and of Rental Units
By Year Built



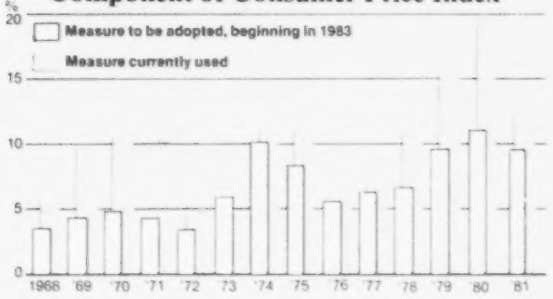


Cost Components of Typical New Single-Family House

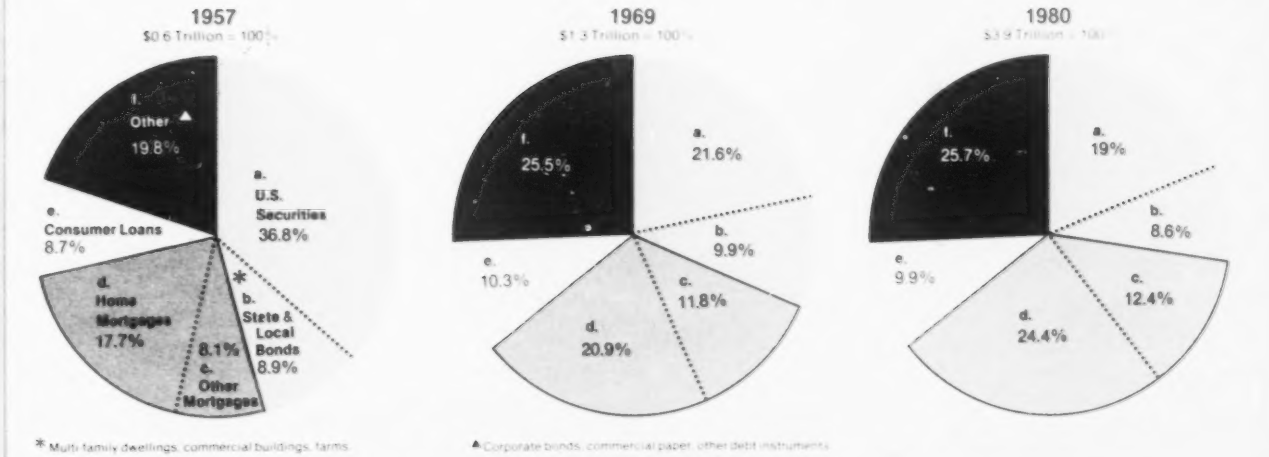


■Median Price

Annual Percent Change in Home Ownership Component of Consumer Price Index

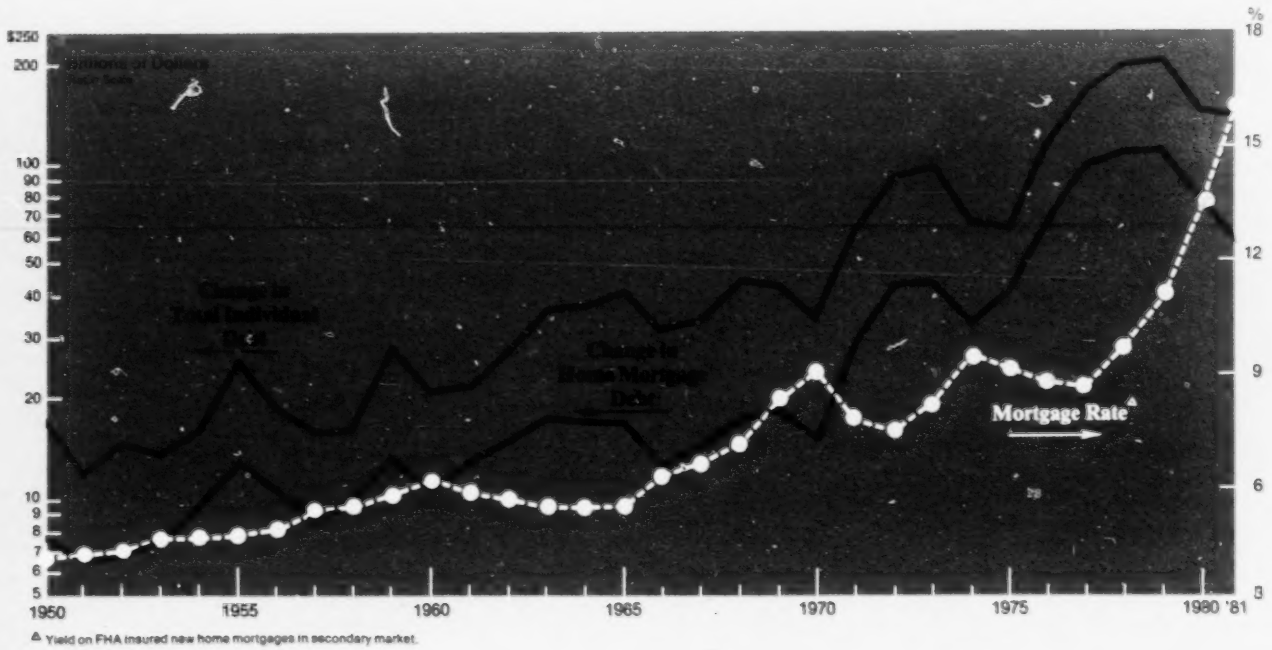


Debt Outstanding By Type



* Multi-family dwellings, commercial buildings, farms

▲Corporate bonds, commercial paper, other debt instruments



▲ Yield on FHA insured new home mortgages in secondary market.

ECONOMIC ROAD MAPS

Eva Culen, Editor Chuck N. Tow, Lead Chartist

Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

Prices for Quantities of this chart will be supplied on request to Information Service.

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The Conference Board

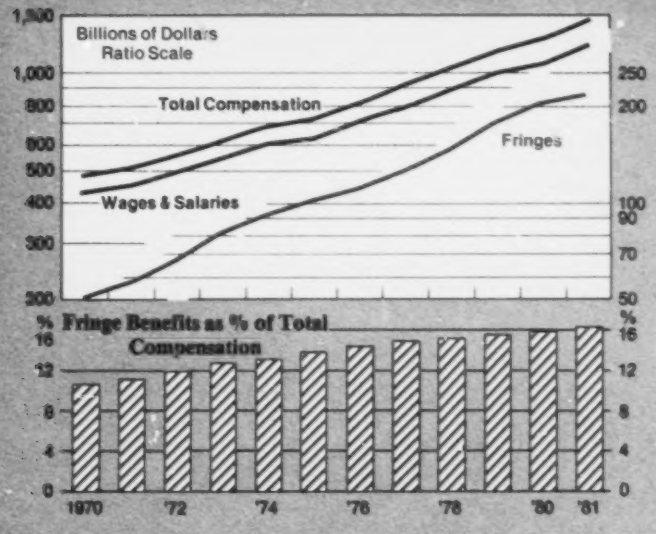
Employee Benefits

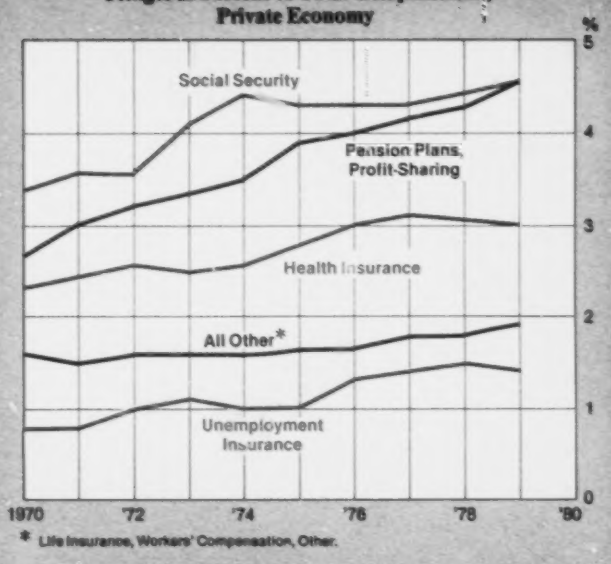
Economic Road Maps

Nos. 1920-1921 February, 1982

The total wage and salary bill in the private economy last year was $1,209 billion. An additional $233 billion was spent on "fringes"—that is, forms of compensation other than direct cash payments. Thus, fringes accounted for 16.2% of total private-sector compensation in 1981. The wages and salaries include pay for vacations and holidays. If this pay for time not worked was added to the nonwage fringe benefits, the ratio of fringes to total compensation would be around 25 percent.

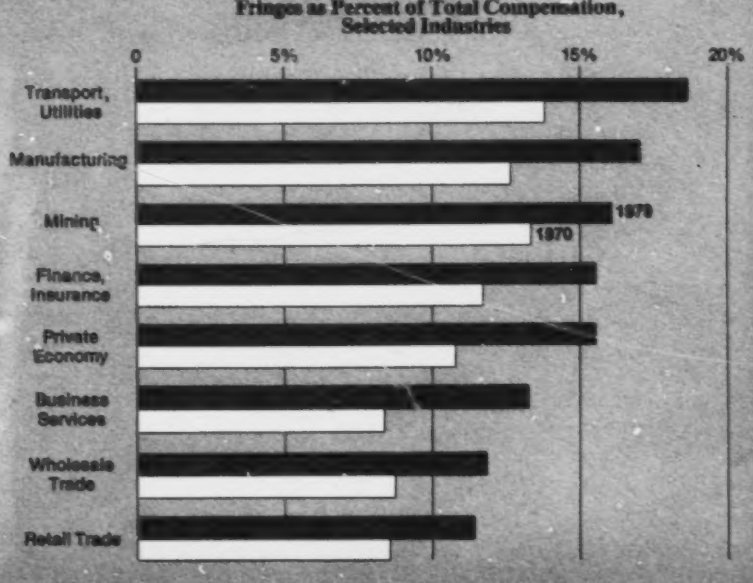
The charts on this page give a broad picture of fringes in the private sector, using national economic data. The next three pages summarize findings of the latest Conference Board survey of employee benefits, and provide more detailed information on current fringe-benefit practices.

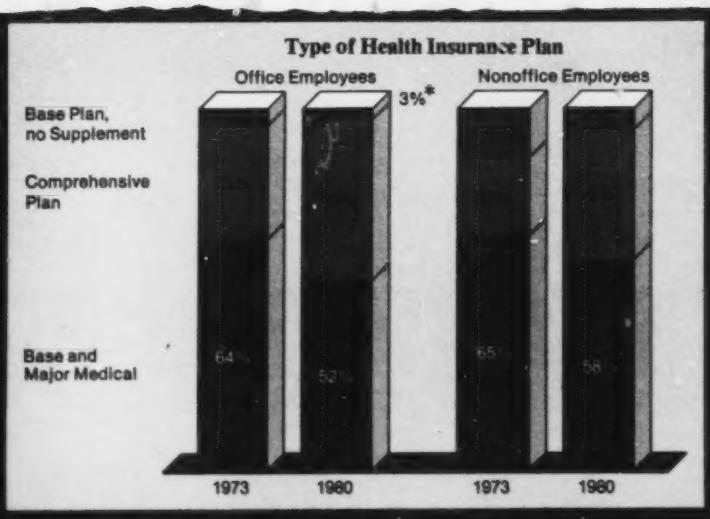




The 1981 Conference Board survey of employee benefits is the latest in a series. The survey covers 1,368 large and medium-sized companies in seven broad business categories, and provides comprehensive data on a wide variety of policies and practices in U.S. industry today. It also highlights major changes that occurred during the last decade.

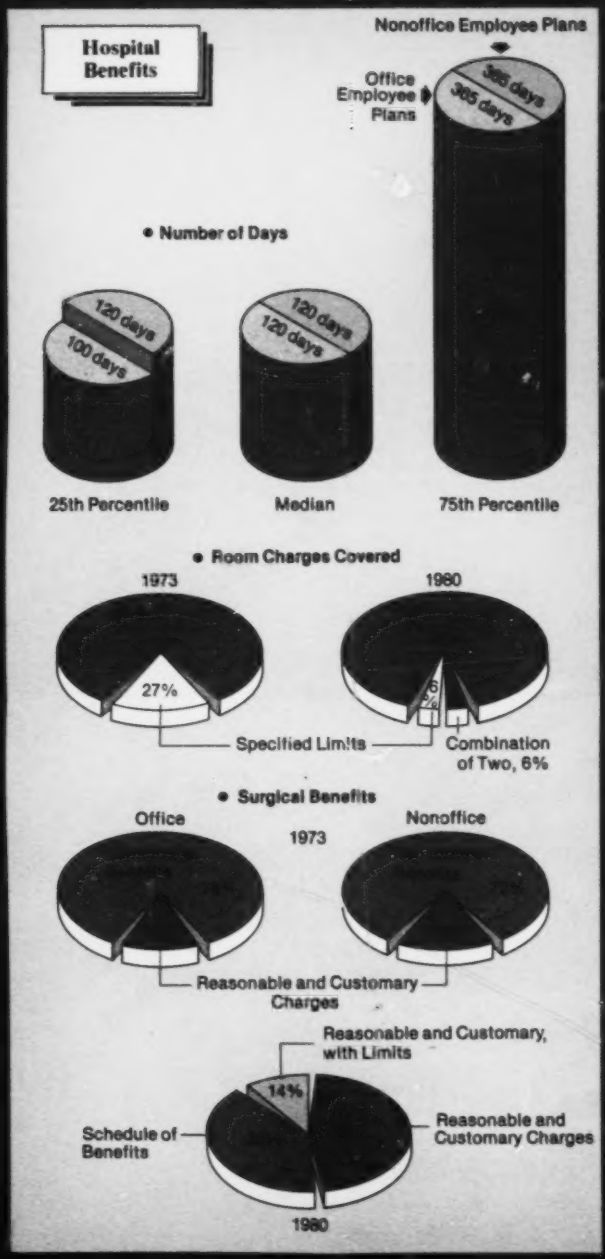
Employee benefits come in a variety of forms. Some are government mandated, such as social security benefits or unemployment insurance, for which the law concerning size of contributions by the employer is very specific. Other benefits, while voluntary on the part of the employer, become regulated once they are established. An example of such regulation is the set of requirements for participation in, and vesting and funding of, pension plans. Government intervention into

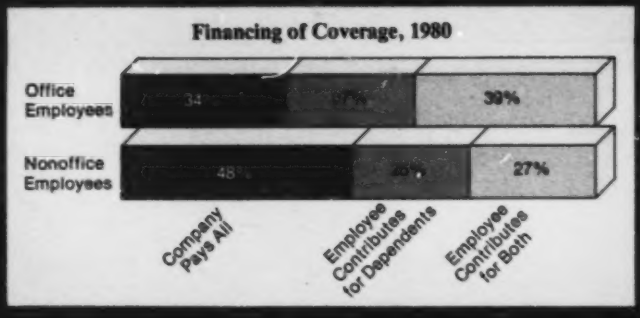




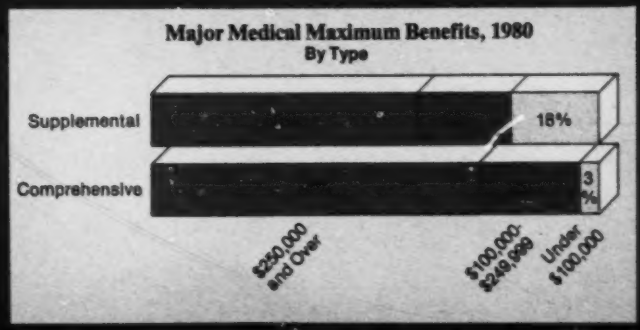
employee benefit planning has also resulted in the shift of the mandatory retirement age from 65 to 70.

Pregnancy has been legislatively defined as disability and, thus, subject to coverage under disability and health insurance plans, and under disability income plans. Health Maintenance Organizations have come into being in recent years as a result of the passage of the Health Maintenance Organization Act of 1973. It was expected that HMO's would offer a comprehensive approach to medical care at lower cost than conventional health insurance. Of the 1,368 companies surveyed, 41% now offer HMO membership as an alternative to conventional health insurance coverage. However, the median participation is only about 3% of employees.

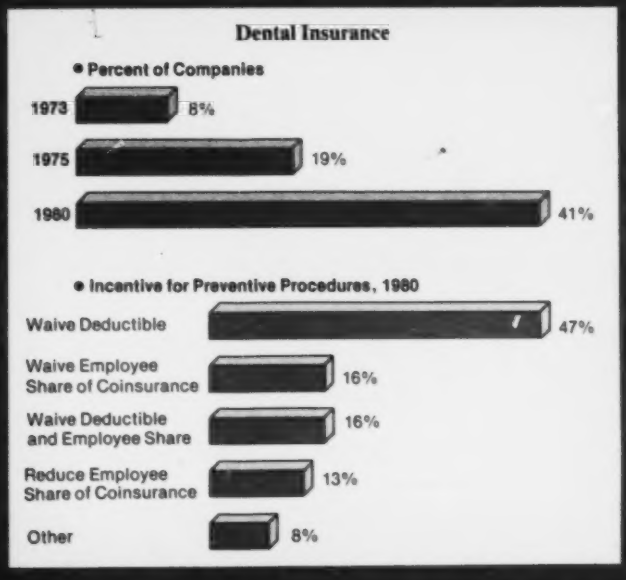




Fringe benefits have expanded substantially during the last decade, and major improvements have occurred in most of them. The increasing cost of health care, which outpaced the general rise in prices, led to some restructuring of health benefit plans. Comprehensive plans (in which an employee deductible applies to the first dollar of covered expense, and usually has to be paid before any benefits are paid by the plan) now account for almost half of all office employee plans, while in 1973, almost two thirds of the office employee plans offered a base plan supplemented with major medical coverage. One quarter of the surveyed companies have also introduced a "co-insurance cap," which limits the maximum expense an employee must bear during a benefit period. Also, the lifetime limit on the expenses covered by a plan was increased to a median of $250,000. In 1973, by contrast, just 10% of the plans specified amounts as high as $50,000 or more. Charges for semiprivate hospital accommodations



y Insurance



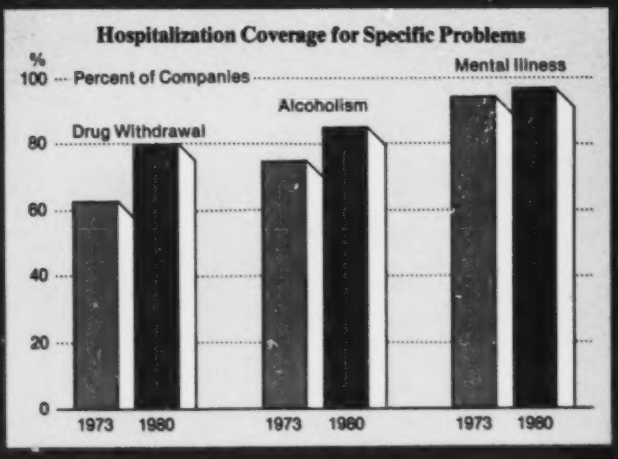
are now paid by a large majority of plans, and about one-half pay "reasonable and customary" surgical fees without dollar limitations. Dental insurance was offered by only 8% of companies in the 1973 survey, but is now carried by 41% of the surveyed companies.

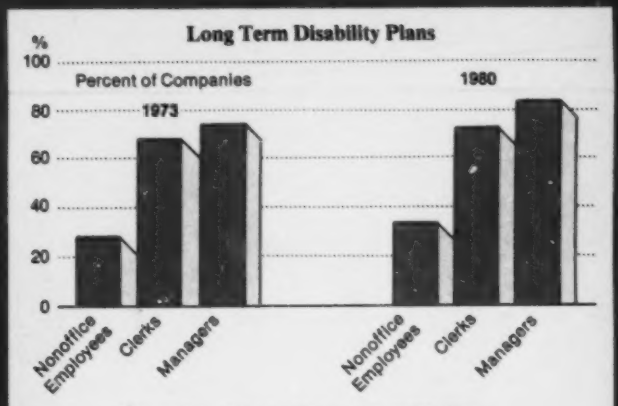
Pension benefit calculations have been affected by inflation and by changes in the social security benefit structure. Most firms today calculate retirement benefits on an employee's final average earnings, but a growing proportion (64%) of final pay pensions are subject to an offset for social security, compared with 40% in 1973. An increasing number of companies also offer plans designed to help employees accumulate capital.

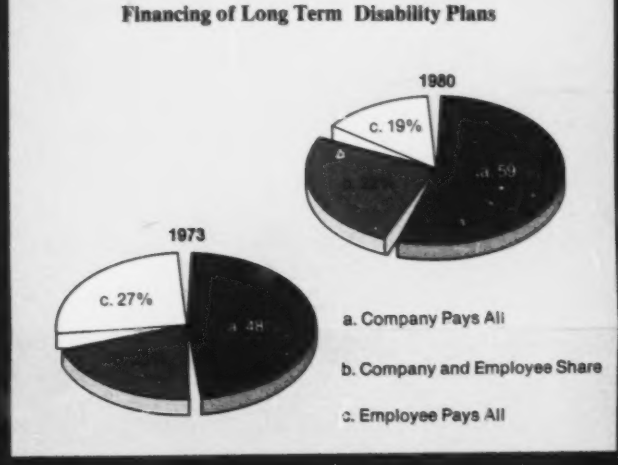
Vacation and holiday practices have also been liberalized since 1973. On the average, an additional day has been added to the number of paid holidays. Maximum annual vacations are getting longer, with 60% of companies offering five weeks or more. Service requirements are decreasing, providing longer vacations for relatively new employees.

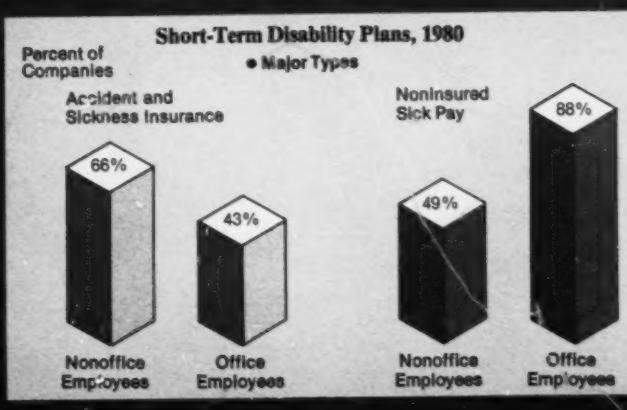
Eva Culen

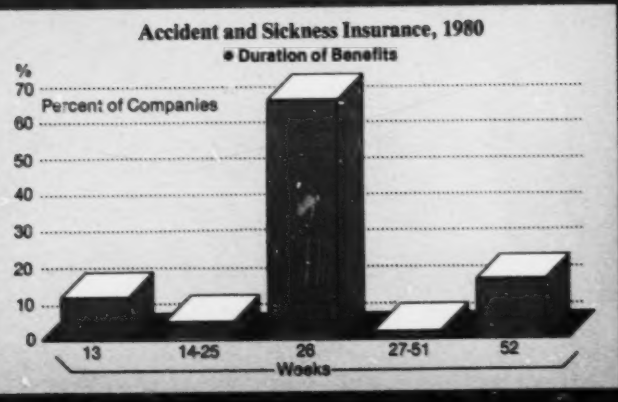
Sources: Bureau of Economic Analysis; M. Meyer, *Profile of Employee Benefits*. The Conference Board.



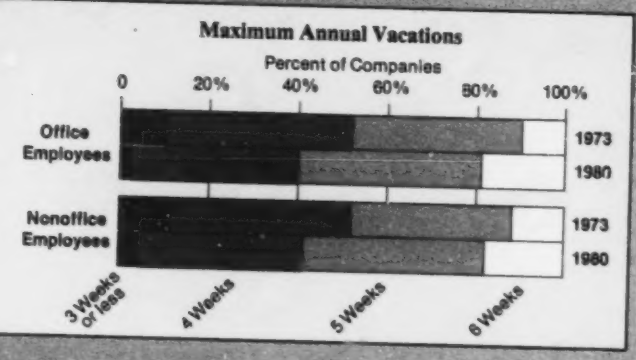


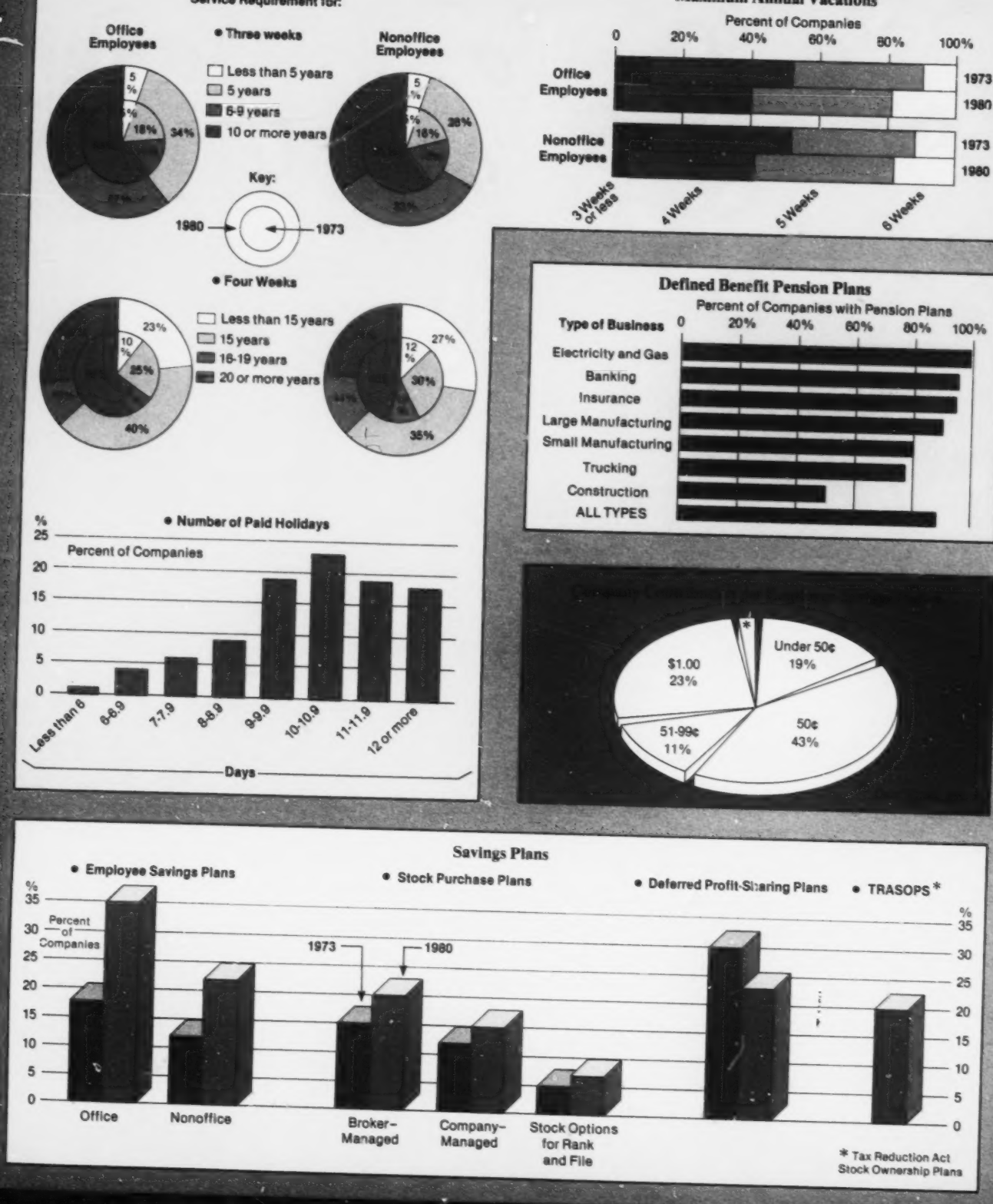






Vacations, Holidays, Retirement





ECONOMIC ROAD MAPS

Eva Galen, Editor
Chuck N. Tow, Lead Chartist
Prepared in The Business Conditions Analysis Department — Lou S. Rollins, Director
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Economic Road Maps
1981 Index

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Eva Culen, Editor — Chuck N. Tow, Chief Chartist

Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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THE CONFERENCE BOARD

845 Third Avenue, New York, N.Y. 10022

25 McArthur Road
Ottawa, Ontario, Canada

Avenue Louise, 207 Bte 5
B-1050 Brussels, Belgium